

# ICPS newsletter

## Ukrainian Education System Slows Economic Reforms

*Education in Ukraine, in particular secondary schooling, is living in the past, still reflecting old Soviet stereotypes. Conditions in open democratic societies are much tougher than those in closed societies, but today's education in Ukraine does not take this main distinction into account. The aim of ICPS's Educational Reform Strategies project is to convince society, government, and international organizations that educational reform is an indispensable condition of transition from the former totalitarian regime to an open civil society. Project experts conducted an analysis of educational policy in Ukraine from the point of view of starting reforms at the local level. Their conclusions are presented below*

The soviet educational system brought up poor people who hated the rich and did not know how to be wealthy, to economise or to exercise ownership. Ukrainian education creates the impression of trying to maintain the traditions of Soviet education, but its "output" could only be used in the system which created it. Current training methods and state standards in Ukraine do not meet international requirements.

The services of educational institutions of post-Soviet countries have become practically unmarketable. Still, people will be forced to avail themselves of this system of education, since the possibilities to reject its services in favour of other systems are still limited in the transition period. Meanwhile the existing system perpetuates itself because of a lack of pluralism in national educational policy.

### Liberalisation

Under the new conditions of economic transition, managing education is a very complex task, much more intellectually intensive and risky than attempting to rescue the obsolete system using well-known methods. That is why the state continues to manage education by the Soviet-style planned and administrative mechanism of allocating resources.

In fact, education should be a sector (and the only one possible during the transition period) where society can be modeled gradually towards its desired state. To develop the educational system with such a microclimate it is necessary to put an end

to the unlimited interference of the state in defining educational content and methods, and to ensure the development of new standards to prepare graduates for life in market conditions.

### Economic stability and international security

In the eight years since Ukraine gained independence, the education system did not even train any people to reform the economy. Educational reform itself turned out to be ineffective, as actually it only strengthened the state machine of educational management. At the same time, the interests of the old educational system are at odds with market requirements.

The experience of Poland, Hungary, and the Czech Republic shows that educational reform is one of the main priorities of state policy in societies under going economic transition. Conversely, the experience of Ukraine, Belarus, and Russia testifies that lack of decisive educational reform in the transition period leads to stagnation of society, and constitutes a threat to international security.

### Decentralisation

Though international educational networks and open labor markets have long existed around the world, Ukraine is still focused on its Soviet legacy of a closed educational system, whose hermetic isolation denies young people the chance to obtain a prestigious education and job.

Today, there are still no criteria for deciding

### Last Week

**Ways of overcoming the debt problem in Ukraine.** ICPS economists presented their interpretation of the problem of debt burden on the 1999 and 2000 budgets and proposed tactical and strategic steps to overcome the debt problem at the macroeconomic seminar on July 13. Mr. Serhii Ilchuk, manager of ICPS's Quarterly Predictions project, noted that it was necessary to adopt a strict 2000 budget with a positive primary balance of no less than 3.7 percent of GDP and with a current positive balance of no less than 1.5 percent of GDP; to speed up privatization for money, with revenues in 2000 of no less than 3 billion UAH; and also to maintain cooperation with IFC, the World Bank, and to reconstruct part of the external debt of Ukraine.

But long-term success requires action in two directions. The first one is to strengthen state finances through increasing budget revenues on the basis of a growth strategy and reform of budget expenditures. The second is to supply a sufficient amount of foreign currency needed for servicing external debts of Ukraine. The amount of foreign currency can be increased through expanding export and private capital flows in the form of direct and portfolio investments.

But the fulfillment of these tasks is very difficult because economic agents—enterprises and householders—have

improper incentives, among which ICPS's economist noted the following:

— *for enterprises:*

- lax budget limitations
- tax system encouraging shadow economy
- anti-investment incentives
- over-restricted labor market;

— *for householders:*

- incentives to hide salary income
- lack of connection between insurance payments and previous fees
- lack of penalties for indebtedness on housing and utilities payments.

These incentives must be changed. From the point of view of enterprises it will be useful to use the following instruments: privatisation and creation of effective owners; development of an effective bankruptcy system clearly defining property responsibility of enterprises for their liabilities. It is also necessary to optimise the tax system and implement land reform.

Pension and welfare reform, liberalisation of the labor market and incitement to pay for housing and utilities will promote changes of householder incentives.

Many participants of the seminar agreed that tactical and strategic steps to overcome the debt problem should be distinguished.

Mr. Maksym Blank, an expert at the Ministry of Finance, noted that although structural reforms are very important for providing solvency of Ukraine in the long term, they do not eliminate the fiscal burden for the nearest future. Mr. Blank added that economists and lawyers should work together on the 1999 and 2000 debt problems.

Mr. Alexei Sekarev, an economic adviser to the Ukrainian-European Policy and Legal Advice Centre, doubted that it would be possible to receive 3 billion UAH from cash privatisation, as the government has not yet developed strategic awareness of key economic problems. Mr. Sekarev also believed that next year the schedule of debt repayment will be realised on a day-to-day basis.

*Please note that the Ministry of Economy of Ukraine and the International Centre for Policy Studies announce a break in their weekly macroeconomic seminars till autumn.*

how education is to be financed from the state budget. Such criteria can be developed not by the government, but by society and by local communities. The state's management function over education should lie in servicing the process of determining strategic priorities of local educational development at the regional levels, while society should take charge of the process itself.

Understanding that the tasks have changed and that the old administrative algorithm does not work anymore should become one of the main criteria driving local management of education.

## Public participation

Public opinion surveys testify that Ukrainians do not connect development of society directly with the state of education. 80 percent of respondents believe that our education is the same or better than in Western countries, though our GDP per capita is actually 20-25 times less than in these countries.

Ineffective content and form of organisation of education, and lack of consistent implementation of educational reforms are to blame for weak reforms in Ukraine. It is not the economic crisis that is the cause of failure of the educational system, but the state of education is the cause of the economic crisis and slow progress of economic reforms.

The policy of dialogue between the state and society that was proclaimed by non-government civic organisations and supported by international donor organisations was not successful. Constructive communication demands active participation, but unfortunately the Ukrainian community has not yet become galvanised.

## Experience of other countries

As an example of gradual implementation of reforms, we present the List of Educational Reform Priorities, drawn up by Polish reformers in the 1980s for their home use and put into practice in the 1990s. The author of this list is Andrzej Janowski, one of the managers of the "Teachers' Solidarity" association and deputy minister of education of Poland:

1. decentralise and democratise educational administration;

2. increase autonomy of schools and teachers;

3. permit unrestricted teaching and economic activity of universities and other higher education institutions;

4. ensure public control over ministry decisions on budget funds allocation and over the activities of educational institutions;

5. completely eliminate the state monopoly on drawing up programs and textbooks;

6. prohibit ideological indoctrination or changing the goal and content of the humanities aspect of education;

7. give priority attention to teaching the languages of developed countries;

8. promote the association of teachers and lectures and their professional growth;

9. introduce the subject "Civic education", to serve as an indispensable measure for fostering the competence of youth on issues pertaining to the nature and content of civil society;

10. facilitate satisfying the educational and cultural needs of minorities.

Azerbaijan is an example of applying international experience and technical assistance to implement educational reforms in countries of the former Soviet Union. The World Bank lent this country \$5 million for the development of education. The loan was given for 35 years with an annual interest rate of 0.75 percent and a grace period of 10 years. The government of Azerbaijan has allocated \$500,000 for the project, which entails changing teaching plans at pilot schools, retraining teachers, and studying the effects of this project on the educational sector. The project is a preparatory stage for a large-scale program of the World Bank on financing educational reform in Azerbaijan.

The Ukrainian education system also has such prospects, but so far negotiations are being held and decisions are being made only at the national level. Obviously, with no progress.

*A seminar on "Guidelines for the working group on implementing regional educational policy" was held on July 14 in Lviv. The results of the seminar will be published in the next issue of the ICPS Newsletter*

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